



The Heat Transfer Professionals

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**International Trade Commission Hearing
332 Investigation on Behalf of Steel Consumers**

June 19, 2003

**Prepared Remarks of Layne R. Gobrogge
Transpro, Inc.**

Madame Chairman and members of the commission, I would like to thank you on behalf of Transpro, Inc. for the opportunity to present this testimony before you today. My name is Layne Gobrogge, Vice President of Marketing for Transpro, Inc.

Transpro, Inc. is a leading manufacturer and distributor of aftermarket and Original Equipment Manufacturer (OEM) heat transfer and temperature control products for automotive, truck and industrial applications.

Our Automotive and Light Truck products include replacement radiators, heater cores and air conditioning components which are sold to aftermarket distributors and retailers. Our Heavy Duty products include radiator cores, complete radiators, charge air coolers, engine cooling systems, and Original Equipment Service components for on-highway, off-highway, and industrial applications. These products are sold to aftermarket and OEM customers.

Transpro is headquartered in New Haven, CT. and employs approximately 1800 people throughout North America at 14 manufacturing and 55 distribution locations. 2002 revenues were \$230 million. We not a large company by Wall Street standards but we sell our products to several multi-billion dollar customers. These customers demand the best value products available and in order to maintain our business relationship with them, we utilize a world sourcing philosophy. Together, as manufacturers, distributors, and retailers we are part of the \$247 Billion U. S. Aftermarket which employs over 3.7 million people.

Our primary raw materials are copper, brass, and aluminum, however we do purchase about \$2 Million of steel annually from domestic sources for some of our products. We purchase our steel from several companies that buy directly from the mills. Since the tariffs have gone into effect we have experienced price increases of up to 25% on certain types of steel and lead-time for some of our orders has increased from 3 weeks to 3 to 4 months. Since the mills are unwilling to hold prices steady and unwilling to guarantee delivery dates our vendors are forced to do the same to us. Not only does this cause huge fluctuations in price, it also forces us to hold more inventory because promised delivery dates are often not met. As a result of these price increases we have been forced to absorb the extra costs ourselves and cannot pass them along to our customers because of the very competitive nature of our market.

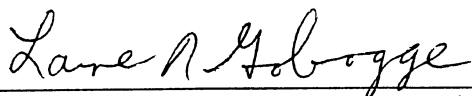
We have also had service disruptions on steel for very small parts that have delayed the production and delivery of industrial radiators selling for thousands of dollars per unit. We have had 3 separate occasions where we had to shut down our industrial radiator production line waiting for a steel delivery that was promised to arrive 30 days before that day. In addition, because we are a smaller company when we have solicited new sources for our steel we have been turned away by steel service centers who have told us they would not even quote on our business because their relationships with the domestic steel mills was unstable. They report that the mills are continuing to raise prices, extend lead-times and change order practices regarding minimum order quantities and quantity discounts.

We are part of a "global economy", and in order for Transpro to remain competitive in the markets we serve, we need to engage in continuous cost reduction activities in sourcing raw materials, components, and finished goods from the "best value" producer-partners throughout the world. Many of these high quality, low cost suppliers are located in Asia and South America and they have made massive investments in the latest manufacturing technology and equipment. They have reduced their costs with their investments and have added huge manufacturing capacities making them highly competitive in the "world marketplace". They are looking for markets for their products and will bring them into our country with or without us. By putting the Steel Tariffs into place we have "temporarily" halted the advance of "World-Class Quality" producers who are looking for markets for their products.

At Transpro we firmly believe in a vital and competitive U.S. Manufacturing base because it is good for our country. The U. S. Steel producers should be part of our manufacturing base but it will take a continuing capital investment in technology and equipment to keep those producers "alive and well". The tariffs have forced the steel users in this country, including Transpro, to look at alternatives that they might not have previously, such as sourcing finished products from overseas and moving entire operations with thousands of jobs to those countries. As an example, in order to keep the business of a large customer who purchases several million dollars worth of industrial radiators from us, we are now sourcing a large portion of those radiators from Asia, and the price of the steel used in the frames of those radiators, was a contributing factor in making that decision. We will all do what it takes to keep our businesses competitive, profitable, and healthy even if it means making decisions that are not patriotic.

So what will the result be? If the steel producers do not raise their quality and reduce their costs to be competitive with the existing World Class Quality producers in other parts of the world, they will continue to lose market share to these producers. They will also lose the economies of scale that help to drive lower costs. We are more than willing to continue to support the domestic steel producers but we must be assured that our service, delivery and pricing meets our needs and keeps us competitive in the markets we serve.

Thank you for your attention.



Layne R. Gobrogge
Vice President of Marketing

6/12/03